



December 18, 2012

Mr. Jack Castro, Finance Director
City of Huron
36311 S. Lassen Avenue
Huron, CA 93234

Dear Mr. Castro:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated September 24, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Huron Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 10, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on September 24, 2012. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on October 18, 2012.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the items being disputed.

- Item No. 1 – Tax Revenue Bond in the amount of \$4.4 million. Finance is no longer objecting to the item. Finance denied the item as an enforceable obligation as HSC section 34183 (a) (2) (B) states Redevelopment Property Tax Trust Fund (RPTTF) can fund revenue bonds, but only to the extent the revenue pledged is insufficient to make payments, and only where the agency's tax increment revenues were also pledged for repayment. The bond indentures provided for these line items did not have tax increment revenue pledged. The Agency contends the item is an enforceable obligation because tax increment revenues were pledged to make payments on the principal and interest. Finance agrees that payment of bond debt service is an enforceable obligation per HSC section 34171 (d) (1) (A), which includes the required debt service for bonds under the indenture governing the issuance of the outstanding bonds of the former redevelopment agency (RDA). Therefore, this item is an enforceable obligation.
- Item No. 8 – Tax Revenue Bond in the amount of \$4.4 million for the period July through December 2012 (ROPS II). Finance denied the item along with and in relation to item no. 1 above. According to the Agency, the item represents the debt service payment due in December 2012 that will have to be paid out of the City of Huron's (City) General Fund. Item no. 1 was initially denied on ROPS II, but was then reconsidered and subsequently approved; however, the approval letter was not received in time by the county auditor controller to include the debt service amount in the Agency's property tax

distribution. HSC section 34173 (h) states the city, county, or city and county that authorized the creation of a RDA may loan or grant funds to a successor agency for administrative costs, enforceable obligations, or project-related expenses at the city's discretion, but the receipt and use of these funds shall be reflected on the ROPS. As stated above, Finance agrees that payment of bond debt service for item number 1 above is an enforceable obligation. Once the Agency has entered into a loan with the City for purposes specified in HSC section 34173 (h) and subject to the oversight board's approval, the receipt and use of the loan funds may be reflected on a subsequent ROPS. Therefore, this item is not an enforceable obligation on this ROPS.

- Administrative cost distribution in the amount of \$193,972. The Agency could not determine how the amount approved for the administrative cost distribution was determined and requested further clarification. Finance reduced the administrative cost by \$135,512 to \$57,244 because an administrative cost distribution totaling \$192,756 was made for the July 1 through December 31, 2012 period. Per HSC section 34171 (b), an administrative cost allowance is the greater of 3 percent of the property tax allocated to the Redevelopment Obligation Retirement Fund money that is allocated to the successor agency or \$250,000 for each fiscal year. Since \$192,756 of the \$250,000 was distributed for the July 1 through December 31, 2012 period, only \$57,244 in administrative costs is available for the January 1 through June 30, 2013 period.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$192,601 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 237,532
Less: Six-month total for items denied or reclassified as administrative cost Item No. 8	102,175
Total approved RPTTF for enforceable obligations	<u>\$ 135,357</u>
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	<u>57,244</u>
Total RPTTF approved:	\$ 192,601

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

The amount available from the RPTTF is the same as the property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on

Mr. Jack Castro
December 18, 2012
Page 3

your ROPS for January 1 through June 30, 2013. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not questioned on this ROPS or a preceding ROPS.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



Steve Szalay
Local Government Consultant

cc: Mr. Neal Costanzo, City Attorney, City of Huron
Ms. Carolina Camacho, Accounting Supervisor, City of Huron
Mr. George Gomez, Accounting Financial Manager, Fresno County
California State Controller's Office